

The complaint

A healthcare partnership, which I will call D in this decision, has complained about the handling of a claim made under their surgery insurance policy with AMERICAN INTERNATIONAL GROUP UK LIMITED (“AIG”).

What happened

D’s policy with AIG includes public liability cover and legal expenses cover. In April 2024, a third party fell at D’s premises. The third party told D they intended to claim damages for personal injury. D notified AIG and it wrote to the third party to deny liability. The third party did not issue proceedings or pursue the matter. However, as the potential claim was not confirmed as withdrawn, AIG kept the claim open on its records.

D is unhappy with this, as it says there were no developments since late 2024 and the open claim meant its premium at the next policy renewal in April 2025 went from around £4,500 to £11,500. D says the claim should have been closed and its record updated. D also said AIG had failed to keep it updated on the claim and caused delay. AIG maintained that it was entitled to keep the claim open, so D referred the matter to us.

One of our Investigators looked into the matter. She was satisfied that AIG was entitled to keep the claim open for a period of time, given the claim for personal injury could still be pursued and it was not unreasonable that it had still been open in April 2025, which was only a few months since the last contact from the third-party. However, the Investigator said that it would have been reasonable for AIG to have closed the claim after six months of no contact from the third-party, which would have been May 2025. She therefore recommended that the claim be recorded as having closed with effect from May 2025 and said AIG should pay £150 compensation for the inconvenience caused.

AIG did not agree it would have been reasonable to expect it to close the claim in May 2025, as limitation on the claim would have been until 2027. In any case, AIG also said the third-party’s solicitor had been in contact in September 2025, to confirm they were still acting and still intended to pursue the claim. The Investigator therefore changed her mind and said it was reasonable that AIG keep the claim open.

In December 2025, AIG told us that the third-party solicitor had confirmed they were no longer acting in the matter. AIG said this meant it had succeeded in refuting liability for the claim.

D remains unhappy that the claim was open so long and that the additional amount it had to pay for the policy in April 2025 has not been refunded. It also says that the amount quoted for the renewal in April 2026 is also much higher due to the claim.

As the Investigator has not been able to resolve the complaint, it has been passed to me.

What I’ve decided – and why

I’ve considered all the available evidence and arguments to decide what’s fair and

reasonable in the circumstances of this complaint.

I do understand how frustrating this matter was for D and can understand that it feels unfair that they've been impacted due to the potential claim against it. However, having considered everything carefully, I do not think there is any award I can reasonably make against AIG. I say this because I think AIG acted fairly in its handling of the matter. I will explain why.

Having been notified of the claim in mid-2024, AIG looked into it and disputed liability with the third-party. In November 2024, the third-party asked for an address to serve proceedings. AIG responded and asked for a response to its denial of liability. When nothing more was heard, AIG chased the third-party. I do not agree that it should have closed the claim, given that the third-party had indicated it was still pursuing the matter and AIG had no reason to think they would not do so. As AIG has said the third-party would have had until 2027 to issue any proceedings. I am therefore satisfied that AIG was entitled to take the open claim into account when calculating the premium at the policy renewal in April 2025.

Nothing more was heard from the third-party for some time but AIG says the third-party confirmed they were still intending to pursue the matter in September 2025. Not long after that, the third-party confirmed they were no longer acting, and I think it is reasonable for AIG to treat the claim as abandoned.

Given all this, I do not consider AIG acted unreasonably in keeping the claim open for the period it did. I can also see that AIG updated D's brokers (who were acting on D's behalf) and chased the third-party's solicitors for responses. I do not consider that it failed to update D or caused any delays.

Now the legal claim is effectively withdrawn, D can ask AIG to review the premium charged in April 2025 and the premium for the renewal coming up in April 2026, on the basis that there was a claim that did not result in any settlement being paid. If it does not do so, or D remains unhappy with the outcome of any such review, a new complaint can be raised about that.

My final decision

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask D to accept or reject my decision before 21 April 2026.

Harriet McCarthy
Ombudsman